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| AUTHOR | Ashmore, M. Catherine; Pritz, Sandra G. |
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ABSTRACT

This lesson on promoting a business, the 13th in a series of 18 units, is part of the first level of a comprehensive entrepreneurship curriculum entitled: A Program for Acquiring Competence in Entrepreneurship (PACE). (Designed for use with secondary students, the first level of PACE introduces students to the concepts involved in entrepreneurship and helps them become aware of entrepreneurship as a career option.) The following topics are covered in the unit: the concept of promotion, the major methods of promotion used by small businesses, the relationship between promotion and other business decisions, the decisions that must be made when completing a promotional plan, and the importance of public relations programs for small businesses. Included in the lesson are instructional text organized in a question-and-answer format, individual and group learning activities, a case study, and assessment questions. (MN)

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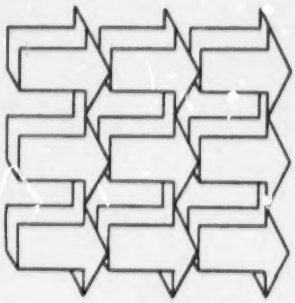

UNIT 13

- [x] Level 1
- [ ] Level 2
- [ ] Level 3

# Promoting the Business

Developed by M. Catherine Ashmore and Sandra G. Pritz

**You will be able to:**

- **Define the concept of promotion.**
- **Compare the major methods of promotion used by small businesses.**
- **Describe the relationship between promotion and other business decisions.**
- **List the decisions that must be made when completing a promotional plan.**
- **Justify the importance of a public relations program for a small business.**

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Research & Development Series No. 240 AB 13

## BEFORE YOU BEGIN. . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. Look for these business term as you read this unit. If you need help with their meaning, turn to the Glossary in the *Resource Guide*.

advertising
image
media
personal selling
promotion
publicity
public relations
sales promotion

# PROMOTING THE BUSINESS

**WHAT IS THIS UNIT ABOUT?**

Marketing leads to an exchange between businesses and consumers. To be successful, the business needs to be sure that the customer is satisfied with the exchange. Customers purchase products and services to satisfy their needs. They want to get good value for the money they spend. Customers are satisfied when they get good value.

People have many products to choose from every time they make a purchase. The products may be from many different types of materials. They may come in several sizes with many choices of features. Packaging, colors, brand names, and instructions on how to use the products all may be a part of the purchase decision. Because of the amount of information that consumers are exposed to, it can be very difficult to make a good purchase decision. It is the responsibility of businesses to give information to customers that will help them make good purchase decisions. If a business does not provide the information, customers may not even know that the product exists. If the right information is not provided, the customers may make poor decisions and will not be satisfied.

A person who is buying stereo equipment for the first time may need to learn a great deal about the equipment before making a choice. *Promotion* is important in providing that information. In another situation a person may be promised that a new car will go forty-five miles on a gallon of gasoline. If the car only gets thirty-five miles per gallon, the customer may be upset.

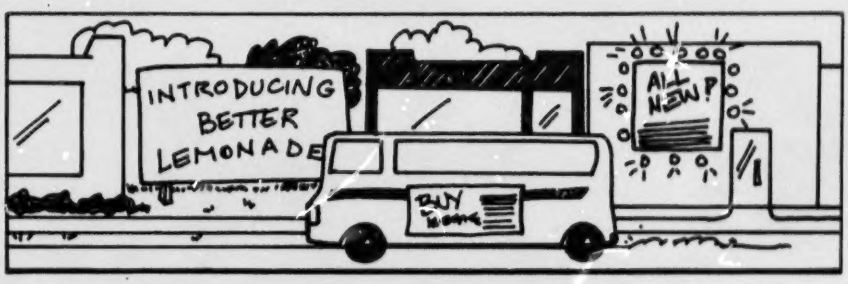
**WHAT IS PROMOTION?**

All of the activities of a business that inform customers about products and services are known as *promotion*. While most people think only of advertising and selling, promotion can be much more than that. Displays, brochures, and package information are all a part of promotion.

All information that moves from the business to the consumer should be considered a part of promotion. Therefore, it should all be carefully planned to help the consumer make good purchase decisions.

**WHAT IS THE IMPORTANCE OF PROMOTION?**

Small businesses must not underestimate the importance of promotion. Advertising and sales promotion are important in all types of businesses, whether they are in retailing, distribution, service, or manufacturing. For example, there are many brands of recreational vehicles on the market. To get a person to buy a vehicle, each manufacturer uses different advertising and sales promotion strategies. Each manufacturer tries to convince customers that their firm's vehicle is best suited for that customer's needs. If you want your firm to succeed, you must promote your firm's products, your services, and your business.




Every business must work to attract new customers. Certainly the customer who returns to purchase more of your goods and services is important—businesses depend on returning customers. But finding new customers is equally important. The customers you have today may not be around tomorrow. Businesses relocate, people move, and customers change their buying habits. Customer needs also change. Good advertising and sales promotion strategies will help you keep your "old" customers and attract new ones.

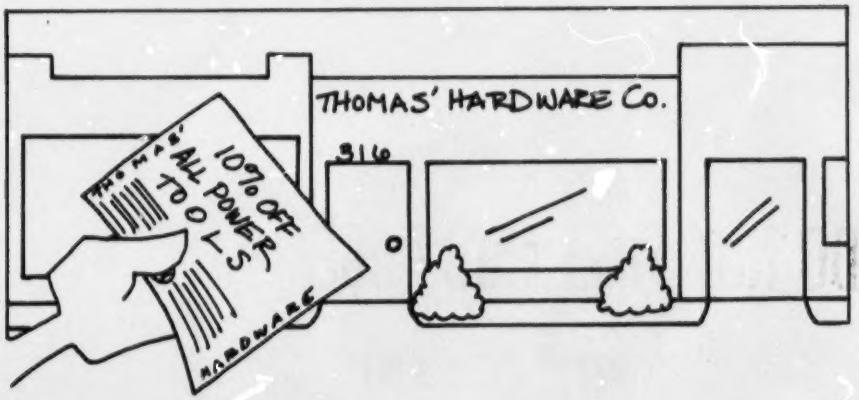
Every company, product, and service needs to develop an image. But developing and projecting the *right* image (the image the company wants customers to have about the firm and its product) are complicated tasks. The images that the firm develops depend on the nature of the product, where the firm is located, the firm's competition, and the financial condition of the firm. You, the entrepreneur, will need to determine what images you want your customers to associate with your firm—for example, low prices, top quality, or excellent customer service. You will then need to design a promotion plan to achieve that desired image.

**WHAT ARE THE MAJOR METHODS OF PROMOTION USED BY SMALL BUSINESS?**

There are four major methods of promotion used by businesses. They are as follows:

- **Advertising**—promotion directed at large numbers of people through media (radio, television, newspapers, and so on) that is paid for by the company.
- **Personal selling**—promotion directed at one or a very few people through direct communication.
- **Sales promotion**—promotional activities that help a firm gain more customers through direct incentives to customers (gifts, contests, coupons, displays, and so on).
- **Publicity**—promotion to large numbers of people through the news media that the firm doesn't pay for.

Each method has specific strengths and advantages. Advertising can provide information to a large number of people at a low cost per person. Personal selling allows the business to deal with the specific needs and questions of each customer. Sales promotion is used to give customers a special reason to buy a product. Publicity is a very inexpensive form of communication because the media pays most of the cost.




A fifth method of communication services, *public relations*, is also an important type of promotion for firms. Public relations is a continuing program of activities with the community. The purpose of a public relations program is to keep people aware and informed of the business. In this way, they are more likely to have positive attitudes about the business. In addition, the business will be aware of the attitudes of the public.

**WHICH PROMOTION METHODS ARE BEST FOR SMALL BUSINESS?**

All of the major promotional methods should be considered by small businesses. Sometimes owners of small businesses don't use very much promotion. They might think promotion is too expensive. They might think that because larger businesses spend so much money on advertising, small businesses just can't compete. Some owners feel that their business is already well known to a regular group of customers, so there is little need for promotion.

In reality, promotion may be one of the best tools small businesses have to compete with bigger businesses. Promotion does not have to be expensive. And without promotion, potential customers may not be aware of the business or what it has to offer. A well-developed promotional plan can show customers the advantages of buying from the small business. Every business needs to attract new customers if it wants to be successful.

Selecting the best methods of promotion is a difficult task. Some methods are better for specific products. Others seem to work best for a certain group of customers. For example, low-priced products are best sold by advertising. Be sure to consider the costs of each method. Small businesses often have a limited budget. Because of this, it is important to get the best and most effective promotion for the money you have to spend.

For the small business, certain types of promotion are more valuable than others. Sales promotion, public relations, and publicity are probably the most valuable types because they usually produce good results for the amount of money spent.

**WHAT'S INCLUDED IN ADVERTISING?**

Advertising is a promotion strategy that is used to promote many things and communicate with prospective customers through various mass media. Businesses use advertising to promote goods, services, images, ideas, issues, and people through a variety of media such as radio, television, newspapers, magazines, mail, and outdoor displays.

The different ways of delivering advertisements to consumers are known as *media*. Sources of media include television, radio, newspapers, billboards, magazines, direct mail ads, and handbills. When selecting the type of media you want to use, think about (1) the information you want to send out and (2) the needs of your customers. Should you use pictures as well as written information? Would color be helpful? What is the best medium for reaching your customers? Do your customers usually watch television instead of reading newspapers? How much is it going to cost you to reach the right people?

Radio and newspaper advertising are good methods for small businesses to use because they are usually inexpensive and reach a large number of people. Television or magazine advertising, on the other hand, may be too expensive and may not reach people who are in the market to buy your products. Don't eliminate them from your promotion plans, however, without some study. Direct mail, billboards, and handbills are also advertising tools that you should consider. They are very good for reaching specific groups of people with one message.

Depending on what is being promoted, advertising can be classified into one of two categories—institutional advertising and product advertising. Institutional advertising promotes organizational images and ideas. Product advertising promotes goods and services and is often used to directly stimulate demand for a product or service. Some advertisements contain both institutional and product advertising.

**WHY DO BUSINESSES USE ADVERTISING?**

Advertising is the main tool for providing basic information about your business to large numbers of people. Because you are reaching so many people in a short period of time, however, the amount of information you can send is usually limited. You also have to remember that different types of people understand different types of information. Therefore, your message can't be very complicated.

Advertising can accomplish the following objectives:

- **Directly stimulate primary and selective demand.** If your firm is the first to introduce a particular product, then stimulating demand through pioneer advertising is essential. Because a number of manufacturers produce food processing appliances, a manufacturer of such an appliance will need to build selective demand for the firm's product by using competitive advertising.

- **Offset competitor's advertising.** This can be done through defensive advertising, comparative advertising, and various sales promotion methods and techniques.

- **Makes salespersons more effective.** Personal selling is still the most widely used means of promoting products and services. Some advertising is created specifically to support personal selling activities. It can presell buyers by informing

them of the product uses, features, and benefits, and encouraging them to contact local dealers. Industrial products, insurance, consumer durables such as automobiles, and major household appliances are often sold in this manner.

- **Increase the uses of a product.** The absolute demand for any product is limited since people will only consume so much. If a firm can, through advertising, convince buyers to use its products in more ways, then it increases the sale of its products.

- **Remind and reinforce customers.** Customers need to be reminded that established brands are still available. Advertising should assure current users they have made the right choice and tell them how to get the most satisfaction from the product.

- **Reduce sale fluctuations.** The demand for many products varies from one month to another because of such factors as climate, holidays, seasons, and customers. Advertising can be used to stimulate sales during slow periods. By leveling out sales, the business can operate more efficiently.

**WHEN IS PERSONAL SELLING BEST?**

Personal selling is a very flexible method of promotion. Think about this type of promotion when—

- customer needs for information are different;
- you want to communicate a lot of information;
- your information is of a technical nature.

With personal selling, you'll be able to demonstrate your products. You can answer customer questions on the spot. Product features, services, and warranties can be explained in detail. Customers can also be personally informed about the best way to use a product.

There are some cases, however, where you probably shouldn't use direct selling. These cases include products or services that are of very low cost; products that are very similar to other products on the market; products that are already familiar to the customer; and products that are very simple to understand and operate. When you do use personal selling, make sure that your salesperson is well trained and can answer customer questions.

**HOW CAN SALES PROMOTION BE USED?**

Sales promotion is a technique that is rarely used by itself. It is a good way, however, to support your advertising and personal selling activities. One way to promote or remind customers of a product or company name is to give them a pen, keychain, matchbook, or other gift that has the information printed on it. Each time the customer uses the gift, they will be reminded of your company or product.

Giving customers a special value or "bonus" if they buy a product or service is another type of sales promotion. You might want to use coupons, discounts, or special sales to encourage the customer to buy. You could also give out product samples, free merchandise with a purchase, trading stamps, or the chance to buy other products at a reduced price. The use of contests and sweepstakes can also be interesting and exciting for customers because it gives them the opportunity to win something.

Remember, though, that sales promotions should be used carefully. Price decreases and free gifts can be very expensive. In addition, if you use sales promotions too often, customers may start to expect them all the time. They might decide not to buy if a special deal isn't available.

The best times to use sales promotions are when a new business is starting, when a new product brand or variety is being introduced, or when an old brand has changed. Sales promotion is designed to help customers see important differences in products or brands.

**HOW SHOULD PUBLICITY BE USED?**

Publicity is the most difficult promotional method to use. Remember that your business won't be paying for the publicity it receives. Therefore, the information you give out must be important enough that a newspaper, radio station, or televison station will want to use it. A new business opening or the introduction of a new product or service is the best time to use publicity. You might also want to use publicity when you or one of your employees has done some special work in a community event or activity.

Publicity is a good way to keep the name of a business in front of the public. It can help you present a good image of the business and the people who work there. Remember that small businesses are a very important part of the community. Make sure to plan ahead for a good publicity program.

**IS PROMOTION ALWAYS EFFECTIVE?**

Some people think that if a company has interesting advertisements or good salespeople it will be successful. This isn't always true. A company may sell some of the best products in the world, but the products won't sell unless the people come to know about them. On the other hand, if a company has a good promotion program but its products are of poor quality or the price is too high, the products still

won't sell. Make sure your company has a good product and price first. Then make sure you have a good program to tell the public about your products.

**HOW DOES PROMOTION RELATE TO OTHER BUSINESS DECISIONS?**

You can make your promotion plans at the same time you make other marketing decisions. For example, if a product is made from higher quality materials than other products, customers should be told. If your company offers special services, has free parking, accepts credit cards, or is open twenty-four hours a day, customers will want to know about it.

Customers need to have information that will help them make good buying decisions. If they are satisfied with the products and services they buy, they are likely to come back and buy again. Promotion will help you tell your customers how your products and services will satisfy their needs. It will also give them information to use when comparing products.

Information given to customers must be true and factual. It is illegal to provide false information. Therefore, if you mislead customers with your information, you might face a lawsuit as well as lost sales.

**WHAT IS INVOLVED IN PROMOTIONAL PLANNING?**

Promotional planning involves five steps. Each of the following decisions should be made before any promotion is done:

- With whom do you need to communicate?
- What information do customers need to make a good decision?
- What method or methods will be most effective for the message and for the customer? Should you use personal selling, advertising, sales promotion, or publicity?
- What type of media will deliver the message to the right people at the lowest cost?
- How much will effective promotion cost?

Once you have made these decisions, you can start to develop advertisements, train salespeople, create sales promotion materials, or write news releases for publicity. At this point, you might want to start talking with representatives of the different kinds of media. People from advertising departments of newspapers, radio and television stations, and advertising agencies are good sources of help in developing promotional plans.

**WHY DOES A SMALL BUSINESS NEED A PUBLIC RELATIONS PROGRAM?**

The final part of a complete business promotional program is public relations. Public relations involves the relationship of a business with the people, organizations, and other groups in the surrounding area. As a business owner, you should take the first step in developing good public relations by treating people fairly and courteously. The attitude of your employees, the physical appearance of the business, and the ways in which the business supports the community and its activities are all a part of public relations.

The way a business is viewed by others is known as its *image*. Every business makes an impression on people—either good, bad, or indifferent. A firm remains in business only as long as people permit it to operate and survive. Therefore, it is important for the business to gain public support in order to be successful. Everything a business does must project a good image.

A good public relations program does not happen by accident. In every community you can find businesses that have a very good image with the public, others that have a mixed image, and still others that have a very poor image. Usually the ones that have the best images have worked hard on public relations. They try to keep the community informed of their activities. They cooperate in community activities and community improvement. They also make sure that relationships between the company and the community are honest and friendly.

Examples of public relations activities often used by small businesses include the following:

- Company letters and brochures
- Open houses and tours
- Public speaking
- Exhibits and displays
- Organization membership
- Community project support
- Publicity and advertising
- Television and radio appearances

Developing a good public relations program takes time and money. It may be a place where new business owners feel they can cut back and save time and money. However, every firm will develop a public image even if no time is taken to plan that image. Your customers will be building your business image in the community, based on the type of products and services they have received. Often, however, this is not the image you want to have. In this case, it would be worth the time and money needed to present the right image.

## ACTIVITIES

The following activities are designed to help you develop insights, opinions, questions, answers, and attitudes.

Collect examples of advertisements for three different brands of each of the following:

- Canned fruit
- Women's shoes
- Television

**INDIVIDUAL ACTIVITY**

Develop a chart for each product, comparing the differences among the brands that were described in the ads. Write a brief statement discussing how valuable the ads would be in helping you make a buying decision.

**INDIVIDUAL ACTIVITY**

Compare promotional methods used by small businesses with promotional methods used by large businesses. If you find differences, try to determine why those differences occur. Do you think small businesses are at a disadvantage when trying to develop promotional items that compete with larger businesses? Why or why not?

**INDIVIDUAL ACTIVITY**

Prepare a list of ten different types of products or services. For each product, determine which type of promotional method(s) would be best for informing consumers about the product. Why did you select each method?

**GROUP ACTIVITY**

Invite three types of salespeople to meet with your class:

- A clerk in a discount store
- A person who sells furniture
- A person who sells industrial equipment

**GROUP ACTIVITY**

Have them describe their duties and the training and background needed for each job. Discuss the similar activities and differences in their jobs. Why do these salespeople need different skills?

Have the members of the class collect as many examples of sales promotion as they can. Analyze each one, determine its purpose, and decide as a class if it seems to be an effective use of sales promotion.

**GROUP ACTIVITY**

As a class, develop a list of ways that you could publicize your school. Discuss the value of developing a public relations program for the school to use with the community. If the school has a public relations officer, invite that person in to talk about PR for the school.

**CASE STUDY**

For three years Jer Sampson operated a small manufacturing plant that built wooden lawn furniture. The business was growing rapidly and had developed a reputation for high quality work. Therefore, Jer was able to charge higher prices than most businesses selling similar products.

Six months ago, the company supplying materials for Jer's business was unable to fill an order. Therefore, he had to buy paint from another business. He has now discovered that he purchased inferior redwood paint. All products painted during a three-week period are now in bad condition. As a result, Jer has received many customer complaints, and it is obvious that other potential customers are not buying since they have heard of the problem.

Whenever a customer complains, Jer is very willing to repaint the furniture with his best paint. However, he is unable to identify everyone who bought the inferior furniture.

Describe various ways in which an effective public relations program could help Jer Sampson recover from the problem he is currently facing.

**ASSESSMENT**

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Define promotion.
2. List the five major promotional methods and describe one advantage of each method.
3. Justify the following statement: "Promotion needs to be planned at the same time that other marketing decisions are made."
4. List, in order, the five steps involved in promotional planning and give an example of each step.
5. Describe the need for an effective public relations program for a new small business.

**SOURCES USED TO DEVELOP THIS UNIT**

U.S. Small Business Administration. *Profitable Community Relations for Small Business.* Small Business Management Series, no. 27. Washington, D.C.: U.S. Government Printing Office, 1961.

Siegel, Gonnie McClug. *How to Advertise and Promote Your Small Business.* New York: John Wiley & Sons, 1978.

Everhardt, R. M.; Jones, Gerald E.; Kemery, Carl; Ray, J. E.; Talbert, Ed; and D'Ambrosio, Tony. *Small Business Advertising.* Columbus: Ohio Distributive Education Materials Lab, The Ohio State University, 1976.

For further information, consult the lists of sources in the *Resource Guide.*

# PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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